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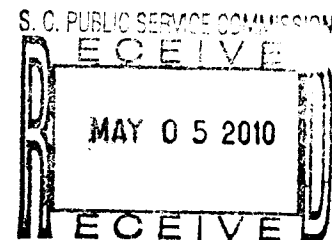
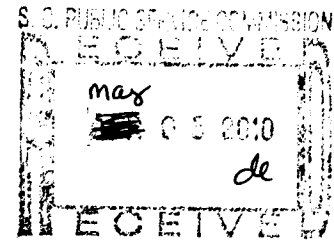
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April 30, 2010

Sent Via Email jbeach@ellislawhorne.com  
and U.S. Mail

John F. Beach, Esquire  
**Ellis, Lawhorne, & Sims, P.A.**  
1501 Main Street, 5th Floor  
Post Office Box 2285  
Columbia, South Carolina 29202



Dear John:

We are in receipt of your letter of April 26, 2010, which I am interpreting as the letter you promised to send in an effort to resolve problems between our client, CK Materials, LLC ("**CK Materials**") and your client Haig Point Club and Community Association ("**HPCCA**"). We also received a copy of your letter dated April 26, 2010 to The Honorable Jocelyn G. Boyd, Clerk of the South Carolina Public Service Commission ("**PSC**"). I was somewhat surprised at the timing of the second letter in view of what I thought to be an agreement between us to attempt a resolution without PSC's participation. Notwithstanding your action, I shall attempt to answer the questions in your letter.

CK Materials has, in fact, substantially complied with all obligations under the Settlement Agreement approved under PSC, Docket No. 2007-414-WS. Nothing has changed regarding CK Materials' Operating Agreement or its ownership structure since the Settlement Agreement was executed.

We understand the Settlement Agreement requires CK Materials to maintain two (2) separate performance bonds, each in the amount of \$350,000 for the sewer and water systems that it owns. CK Materials has, in fact, obtained the \$700,000 of performance bonds in favor of its current operating entities and payable to the PSC as required and the same bonds are still in place and current. We previously submitted the bonds to the PSC and are including copies of the same with this letter.

CK Materials acquired the stock of Melrose Utility Company, Inc. ("**MUC**") and the remaining stock of Haig Point/Melrose Wastewater Treatment Company ("**HPMWTC**") from the Trustee in Bankruptcy for Daufuskie Island Properties, LLC. It, thus, currently owns and operates two (2) separate utility services in adjacent service

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areas and a wastewater treatment facility servicing both entities in three (3) separate wholly owned subsidiaries. It is and has always been CK Materials' plan to merge the subsidiaries into one (1) company. This makes financial sense and is much more practical from an operational standpoint. The PSC, the South Carolina Office of Regulatory Staff ("ORS"), and the South Carolina Department of Health and Environmental Control ("DHEC") are all aware of this goal and have encouraged it. When this merger occurs our understanding of applicable regulations limits CK Materials' obligation for maintenance of \$700,000 worth of bonds for the entire merged systems. In light of the foregoing, our client asked us to determine if the PSC would permit extending the current bonds to cover MUC as well as DUIC. Therefore, we have requested the PSC to approve the existing bonds held by CK Materials as adequate for the bonds required for MUC as well as DUIC. If the PSC does not approve this request then CK Materials will make appropriate arrangements for separate bonds.

My response to your questions, in seriatim, from your letter dated April 26, 2008 are as follows:

1. Our records do not reflect any filing with the PSC dated October 15, 2009; however, we did file a petition on October 12, 2009 requesting that the PSC approve the Stock Purchase Agreement between CK Materials and Robert C. Onorato, as Trustee in the bankruptcy of Daufuskie Island Properties, LLC ("DIP").

We requested an expedited review at the request of the Trustee's counsel in light of the fact that DIP was not contributing to the cost and expense of the wastewater treatment facility nor was it able to operate MUC. CK Materials stepped in and took over management of MUC, without compensation, to prevent hardship to MUC customers. The Trustee also was anxious to conclude the matter before the bankruptcy estate closed, which, at the time of the filing, appeared to be imminent enough to warrant our mutual request for an expedited review.

2. CK Materials is the sole owner of both Daufuskie Island Utility company, Inc. ("DUIC") and Melrose Utility Company ("MUC"). DUIC and MUC own 60% and 40% of HPMWTC respectively. JJK Utilities Holdings, LLC ("JJK") is a Class B Member of CK Materials with a One (1%) Percent Membership Interest in CK Materials.

3 & 4. CK Materials is currently the holder of both Certificates.

5. The performance bond for MUC is currently in a pending status subject to the decision of the PSC as described above.

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6. The performance bonds for DIUC and HPMWTC are the same pair of \$350,000 bonds that have been in effect since CK Materials' acquisition of the Haig Point water systems. We have enclosed copies.

7. Currently CK Materials has posted bonds in the maximum amount required pursuant to S.C. Code Ann. §58-5-720 and in accordance with the Settlement Agreement to cover the systems of DIUC and HPMWTC. The proceeds of those bonds are not available to MUC.

8. Please see the above responses as well as the information available for PSC Docket No. 2007-414-WS.

9. The purchase of MUC by CK Materials did not, as part of its terms, require a change in the way that MUC or DIUC are bonded; therefore no change took place as part of PSC Docket No. 2009-426-WS.

10. To our knowledge, neither DIUC nor MUC are currently operating under any DHEC orders or agreements, other than the requisite permits and any DHEC orders detailed in DHEC's June 16, 2009 letter to MUC.

11. Not to our knowledge but we are confirming this with the Manager of each entity and will advise you if any regulatory proceedings are underway informally or formally.

12. CK Materials is a domestic South Carolina limited liability company. CK Materials is primarily engaged in the public utilities business on Daufuskie Island, South Carolina but does have other business interests and properties on Daufuskie Island. It is not engaged in any business activities in New Jersey or anywhere else.

13. Please see the response to Question #2.

14. We are working on retrieving a copy of this document from our offsite records. We will provide you a copy as soon as practical. If we cannot locate it and is not available, we will prepare a replacement and forward it to DHEC as required under the Settlement Agreement.

15. We previously provided a copy of the Operating Agreement for CK Materials. The information contained therein concerning the Members of CK Materials remains unchanged.

John F. Beach, Esquire  
April 30, 2010  
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16. Mr. Onorato is the Trustee for the bankruptcy of DIP, the former owner of the stock of MUC. One Hundred (100%) percent of the stock of MUC is now owned by CK Materials. CK Materials also owns one hundred (100) percent of the stock of HPMWTC. We are in the process of replacing Mr. Onorato as registered agent.

17. The day-to-day operations of DUIC are managed by Guastella Associates, Inc. or a related entity.

18. No.

Please let me know if this information satisfies your clients' and CK Materials' concerns. If we can be of further assistance please let me know. It is my understanding that there have been no complaints about service since CK Materials acquired DUIC. CK Materials' representatives expect the future merger with MUC to result in an even greater efficiency.

Very truly yours,

**NOVIT & SCARMINACH P.A.**



Charles A. Scarminach

Enclosure [Performance Bonds]

✓cc: The Honorable Jocelyn G. Boyd, Clerk PSC [w/ enclosure]  
Duncan S. Teed, Esquire [w/ encosure.]